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ABSTRACT

Interest is growing in planning and implementing new systems of holding child and family services accountable for results. The Results-Based Accountability (RBA) Project at the Harvard Family Research Project (HFRP) has supported and built upon recent state efforts to develop these new accountability systems for child and family services. The RBA reports, including this case study, are intended to help share insights and experiences in designing and implementing RBA systems. This report on RBA in North Carolina begins with a brief overview, which summarizes the key points in the case study. A section of sociodemographic information and information about the state's governance structure directs the reader to unique qualities of the state that have helped to influence its RBA work. A timeline of the most critical events in the design and implementation of RBA efforts is included, along with a list of the key terms and concepts used in the state. Each separate RBA effort is described in detail, including its history and impetus, those who initially sponsored the effort, and the legal mechanism behind the effort. In addition, the early champions and actors involved in each effort and the funding sources and resources that support the effort are noted, and the governance and coordination between this effort and any others that may exist are described. The design and implementation of each effort are also described in detail, including information about the planning of the effort; the selection of goals, indicators, and targets; the collection of data; and the ways in which stakeholders were involved. The report describes the state infrastructure that supports the effort, such as staff, computer resources, and training. Where applicable, the report describes the way in which program evaluation links to the RBA effort. Each section also includes information about how each effort is being used; the uses include planning, citizen engagement, programming, budgeting and contracting, and communication. A list of key contacts is provided, and a final section describes in detail the objectives, scope, and methodology of the study. The

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report includes a table summarizing points of distinction among RBA efforts
in the eight states studied. (EV)

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Aiming for Accountability: North Carolina. Reaching Results

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Harvard Family Research Project

AIMING FOR ACCOUNTABILITY:

NORTH CAROLINA

Karen Horsch

**Harvard Family Research Project
Cambridge, MA
1998**

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HARVARD FAMILY RESEARCH PROJECT

Founded in 1983 by Dr. Heather Weiss, the Harvard Family Research Project (HFRP) is today at the center of a national movement to promote information regarding how states and communities are developing processes to improve and redesign child and family services and policies. HFRP's pathbreaking research provides practitioners, researchers, and policymakers with timely, insightful information about effective child and family services and policies.

Disseminating its research widely, HFRP links people, programs, ideas, and resources together to create innovative services and family-sustaining policies. HFRP's research helps states and communities create systems to monitor and assess programs and services. Using HFRP research and analysis, schools, agencies, and communities are learning about the best strategies for successful programming to improve child and family outcomes.

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INTRODUCTION

Background

Interest in planning and implementing new systems of holding child and family services accountable for results is growing rapidly — presenting both opportunities and challenges for policymakers, practitioners, and program managers. The Results-Based Accountability (RBA) Project at the Harvard Family Research Project (HFRP) has supported and built upon recent state efforts to develop these new accountability systems for child and family services.

Recent changes in welfare — with increasing responsibility at the state and local levels — have implications for these new RBA efforts. With welfare reform, states will be challenged to provide effective and efficient services for children and families with fewer resources. States have been given increased flexibility in the administration of programs, and it seems likely that they will be held more accountable for program results. In turn, many states are giving counties increased flexibility in administering these programs and plan to hold local service agencies responsible for results.

Most states are in the early stages of planning and implementing their RBA efforts. However, given the recent devolution of welfare as well as changes in managed care, these new accountability systems appear to be here to stay. While states have many promising approaches, they are finding a need for avenues to share resources and experiences, to learn about these new systems, and to obtain information about pioneering states' efforts. HFRP's RBA reports, including this case study, are intended to help share insights and experiences in designing and implementing RBA systems.

What Is Results-Based Accountability?

Policymakers, service providers, and citizens use the term "results-based accountability" in many different ways. For some, this term refers to strategic planning with an emphasis on greater coordination of services around goals and desired results. For others, the term is used to imply a shift in responsibility from the federal to state and local levels and the corresponding reduction in regulation or "red tape" — that is, it refers to a replacement of "process regulations" (such as requiring certain credentials for foster care case workers) with a requirement for results data (such as reduced case loads). For others, the term is used to refer to data collection and reporting efforts.

At a minimum, the RBA efforts described in this report include the following four elements:

- Articulation of a vision about where the state or community would like to be;
- Development of goals and objectives;

- Public reporting of data on progress toward goals and objectives; and
- Regular use of RBA process and data.

Description of the Series

This case study report is part of a series of reports of state RBA efforts. The series includes eight state case studies and a cross-site analysis. The reports are designed to provide information about the design and implementation of the RBA systems in these states. In addition, each case highlights the state's unique lessons learned. The points of distinction of the RBA efforts in each of the eight states in the series are summarized in Table 1 below:

Table 1. Points of Distinction of State RBA Efforts

State	Points of Distinction
Florida	Florida's RBA efforts consist of three parts: statewide benchmarks, performance-based budgeting, and agency-level strategic planning. Several aspects of Florida's efforts are notable: • The active support and involvement by a variety of stakeholders, including the legislature and the private sector; • The strong focus on training and technical assistance in the state, provided by the Governor's Office of Planning and Budget and the legislatively-mandated Office of Program Policy Analysis and Government Accountability; and • The target budget approach used in the Florida Department of Children and Families, which identifies specific outcomes for the different populations the department serves.
Georgia	Georgia's RBA efforts include three parts: benchmarks for children and families, agency performance budgeting, and decentralization of some social services to the local level in exchange for a focus on results. In addition, the following characteristics distinguish the RBA efforts in Georgia: • The top-down and bottom-up approach to RBA, which focuses a variety of stakeholders on results; • The early support by foundations to enable an emphasis on meaningful, people-level results; • The climate of change that supports risk-taking and innovation; and • The establishment of mechanisms to address concerns about locally-determined strategies and accountability as well as statewide oversight.
Iowa	Iowa's RBA efforts consist of statewide measures, agency performance measures, and local-level measures. In addition, the following characteristics distinguish the Iowa case: • The use of public opinion polling, which has provided valuable citizen input; • The use of focus groups to enhance the RBA research process; and • Enterprise-wide strategic planning, which provides a framework for collaborative efforts among agencies to achieve common cross-site goals.

Minnesota	Minnesota's RBA efforts consist of statewide measures, child and family measures, agency performance measures, and local performance measures. The following characteristics also distinguish Minnesota: • The existence of multiple RBA efforts with differing origins and emphases, including the Executive Branch Minnesota Milestones, which focus on population-level goals and the legislature's performance accountability for state agencies; • The emphasis on "home grown" services, which leads to grassroots articulation and reporting of results data rather than a centralized RBA approach; and • The refinement of the Milestones and agency performance measures to build on lessons learned and to update the measures to reflect new priorities of the state's citizens.
North Carolina	North Carolina's RBA efforts consist of state agency performance budgeting, and a child and family initiative that focuses on results. In addition, the following characteristics in North Carolina are of note: • The role of the budget and planning offices in training, collecting, and analyzing performance budget data; • The political context in which the child and family initiative has been implemented and the way in which data have been used to expand this initiative; and • The quasi-experimental evaluation design used to measure the success of the child and family services initiative.
Ohio	Ohio's RBA efforts consist of a statewide framework for child and family services, decentralization of social services to the local level in exchange for a focus on results, and a state block grant and a new program that focus child and family services on results. In addition, the following elements in Ohio are noteworthy: • The strong commitment of the governor in supporting results-oriented child and family services; • Comprehensive planning efforts designed to streamline government services by focusing on results; • The greater flexibility given to county Councils in exchange for accountability that focuses on results; and • The messages from the state to the counties regarding state expectations to focus on results.

Oregon	Oregon's RBA efforts consist of a statewide framework for results, agency performance measures, and local measures. In addition, the following characteristics distinguish the efforts in Oregon: • The way in which Oregon has relied on champions as a critical element for success. Leaders in key places — the executive branch, legislature, and private sector — have all been crucial to the penetration of the concept of the Oregon Benchmarks; • The power of well-trained, highly qualified staff at all levels, which has been critical in designing the RBA effort; • The requirement that the benchmarks and strategic plans be revisited on a regular basis; • Citizen involvement as an element in the success of the RBA effort; and • The continuity of support for RBA efforts at all levels of involvement.
Vermont	Vermont's RBA efforts consist of a framework for child and family outcomes, a Department of Education (DOE) outcomes framework, and measures produced by the Agency of Human Services and the DOE. In addition, the following characteristics are significant: • The importance of establishing relationships and knowing key actors in the design and implementation of the effort; • The small size of the state, which creates relative ease in involving all stakeholders in the effort; and • The importance of foundation funding and technical assistance in establishing the RBA framework and allowing the state to be creative in using resources to implement RBA.

Audience

This case study report is part of our larger effort to disseminate information about RBA initiatives in states. The report is targeted to those responsible for designing and implementing RBA efforts for child and family services. As such, the cases include details about the history, design, implementation, and uses of each effort that could assist in designing and implementing similar efforts.

Format

Overview of North Carolina

The report begins with a brief overview which summarizes the key points in the case study.

North Carolina Context

A section of sociodemographic information and information about the state's governance structure directs the reader to unique qualities of the state that have helped to influence its RBA work. In addition, a description of the history and state/local culture provides details about the environment.

Timeline

The report includes a timeline of the most critical events in the design and implementation of the RBA efforts.

Terms and Concepts

A list of the key terms and concepts used in the state is included. Currently no standard set of definitions of RBA terms exists. States use similar terms for different concepts, and different terms for similar concepts. Additionally, we provide a list of acronyms specific to each state's RBA efforts.

Description of Each of North Carolina's RBA Efforts

Each separate RBA effort is described in detail in the case study. Each of these separate efforts is described in bold and begins a new chapter. Each section begins with a description of the history and impetus of the effort, including a description of those who initially sponsored the effort (such as the governor, legislature, or agency). We also describe the legal mechanism behind the effort (such as Executive Order, legislative mandate, etc.). In addition, the early champions and actors involved in each effort and the funding sources and resources that support the effort are noted. We also describe the governance and coordination between this effort and any others that may be in existence in the state.

The design and implementation of each effort are also described in detail. We include information about the planning of the effort (including a description of strategic planning efforts); the selection of goals, indicators, and targets; the collection of data; and the ways in which stakeholders were involved. In addition, we describe the state "infrastructure" that supports the effort, such as staff, computer resources, and training. Finally, where applicable, we describe the way in which program evaluation — specifically outcome evaluation efforts — links to the RBA effort.

Each section also includes information about how each effort is being used. The uses include planning, citizen engagement, programming, budgeting and contracting, and communication. In certain instances, the uses have yet to be determined.

Key Contacts

A list of key contacts familiar with different aspects of the effort is provided. This list is included in order to direct the reader to the experts who are most knowledgeable about many of the details of this report.

Objectives, Scope, and Methodology

This section explains in detail the objectives of the study, the methodology used, and the range of states included in the series.

OVERVIEW OF NORTH CAROLINA

Unique Features of North Carolina's RBA Efforts

Since 1991, North Carolina has been implementing a results-based budgeting approach that requires state agencies to report to the General Assembly on the performance of their programs. The North Carolina Department of Health and Human Services (DHHS) reports on the results of programs related to health and human services. The state's largest and best-known initiative for children and families, *Smart Start*, also works within a framework of accountability, reporting regularly to the legislature and undertaking an extensive evaluation of important program outcomes.

Several features of North Carolina's results efforts are noteworthy:

- The role of the budget and planning offices in training, collecting, and analyzing performance budget data;
- The political context in which the child and family initiative has been implemented and the way in which data have been used to expand this initiative; and
- The quasi-experimental evaluation design used to measure the success of the child and family services initiative.

Summary of North Carolina's RBA Efforts

Performance/Program Budgeting: North Carolina began implementing a performance-based budgeting approach in 1991. The purpose of the performance/program budget (P/PB) is to help the state to eliminate overlap and duplication; establish priorities; improve government efficiency and effectiveness; preserve and improve the quality of state services; restructure and reform state service delivery; and strengthen management practices.¹ By requiring public agencies to link budgets to results, P/PB is intended to display to the legislature the linkage between resources and objectives and activities. Since 1993, agencies have been required to link their budgeting processes with agency strategic planning.

The North Carolina offices of State Planning (OSPL) and the Office of State Budget and Management (OSBM) identified 10 program areas that include all state activities. These program areas are the "top" of a hierarchy of categories that include goals, programs, and subprograms. This hierarchy allows agencies to provide increasing detail about expected outcomes, clients and customers, objectives, and expenditures. OSPL and OSBM help agencies develop their strategic plans. OSPL has developed an eight-step process to help agencies with their planning, and OSPL analysts train agency staff and provide technical assistance.

¹ North Carolina Office of State Planning and Office of State Budget Management. *Primer to performance/program budgeting. 1995-1997. The North Carolina state budget.* Raleigh, NC: Author.

Use of and commitment to P/PB among legislators vary. Some argue that although they have been trained in P/PB, legislative staff and legislators are not sufficiently informed about it to make use of it. Additionally, two institutional factors — an annual legislature but a biennial budget and a legislative committee structure which does not correspond with the 10 program areas — further complicate the movement to a performance budgeting approach. The use of the information was cited as an important concern by agency staff polled about P/PB in 1997.

Department of Health and Human Services' Strategic Planning: The North Carolina DHHS is responsible for programs related to health and human services. The identification of objectives and measures for DHHS programs began under its predecessor agency, the Department of Human Resources (DHR). DHR used cross-division teams to identify objectives and measures. Each division of DHHS reviews and revises the measures each year and staff update the information if new data are available. Staff note that there are many difficulties in identifying measures for child and family services, among them the need for staff analytic ability, the importance of contextual information, and the difficulty in moving from program-oriented measures to client- and family-centered ones. DHS uses the performance information in management reviews with senior managers. The department also uses the information in its budget development process.

Smart Start: *Smart Start* is North Carolina's well-known and generally well-received program for young children. Established in legislation in 1993, *Smart Start* is a \$90 million comprehensive early childhood education and health initiative. The primary goal of the public-private initiative is to ensure that, through improvements in access to quality, affordable child care, health care, and other family support services, every child in North Carolina enters kindergarten healthy and ready to succeed. *Smart Start* began with 12 demonstration projects and currently includes over 80 local partnerships in all 100 counties in the state.

The North Carolina Partnership for Children is responsible for the oversight of *Smart Start*. The Partnership has identified five goals for the initiative as well as subgoals; these form the framework which guides the annual service plans developed by local *Smart Start* partnerships. The extent to which local partnerships can respond to the demands for accountability varies greatly. Collaboration has been a key component of the planning process at the local level.

The 1993 legislation that authorized *Smart Start* also required a comprehensive performance-based evaluation, which is being conducted by the Frank Porter Graham Center for Child Development. Evaluation activities include formative and summative components, an emphasis on program quality, the use of reliable statistical methods, and a detailed fiscal analysis of the use of state funds. Preliminary evaluation results show, among other things, that the quality of child care provided at *Smart Start*-supported centers is improving. In addition to the multi-year evaluation, the legislature funded an independent audit of *Smart Start* in 1995. The audit concluded that *Smart Start* "...is a credible program that delivers substantial good to the children and families" of North Carolina. It recommended additional funding for the initiative as well as management reforms.

North Carolina, like many states, faces challenges in the implementation of performance-based budgeting; however, many believe that P/PB will play an important role in the state's government reform efforts. They note that P/PB has the potential to increase significantly the debate about what the state is doing and how it is doing it. *Smart Start*, nationally recognized as an innovative as well as effective initiative, will also continue to work to improve its administration and address demands for accountability. The foundation of strong evaluation research provides a strong basis to "be accountable."

NORTH CAROLINA BACKGROUND INFORMATION

Sociodemographic and Economic Status ²

In 1995, North Carolina had a population of 7.2 million. According to those statistics, the population was 76 percent Caucasian and 22 percent African-American. Only 1.7 percent of the state's residents were immigrants, compared to 9.3 percent nationwide; 70 percent of North Carolinians were born in the state. In 1995, 25 percent of North Carolina's residents were under the age of 18, which was slightly lower than the national average of 26.2 percent.

In 1995, North Carolina's per capita income was \$21,103; the median income for families with children was \$34,100. Fourteen percent of all North Carolinians, and 21 percent of North Carolina's children under the age of 18 lived in poverty. In 1995, unemployment in North Carolina was 4.0 percent, which was lower than the national average of 5.3 percent, ranking North Carolina 37th in statewide unemployment.

Political Context for Children and Families ³

Governor James B. Hunt, Jr. (D), began his latest four-year term in 1997. Previously, he had served as governor from 1977-1985, and again from 1993-1997. The majority party of the House is Republican; the majority party of the Senate is Democratic. Both houses have had the same party affiliations since prior to the 1994 elections, and they have no term limits. Membership in the state legislature is stable; like Florida, Iowa, Minnesota, and Oregon, it is classified as "not quite full-time/professional."⁴ The legislature meets in odd-numbered years for five to seven months; it divides to meet in even-numbered years for a shorter period of time.

Like Georgia, North Carolina's 100 counties play an important role in the supervision of programs for children and families. Each county has a Department of Social Services, supervised by County Commissioners. The state welfare system is state-supervised, but county

² Information for this section was obtained from the following sources: Morgan, K.O., and Morgan, S. (1997). *State rankings, 1997: A statistical overview of the 50 United States*. Lawrence, KS: Morgan Quinto Press; U.S. Bureau of the Census, *Current population survey and state poverty rates*, online at www.census.gov; U.S. Department of Labor, *Bureau of Labor statistics; Statistical abstract of the United States, 1996*. Bureau of the Census, U.S. Department of Commerce, Economics and Statistics Administration. (116th Edition); *KIDS COUNT data book: State profiles of child well-being*. (1997). Baltimore, MD: Annie E. Casey Foundation. Most data are from 1995. Data from the *KIDS COUNT data book* reflect the condition of children and families in 1994.

³ Information for this section was obtained from multiple sources, including: *The book of states, 1996-1997*. Lexington, KY: The Council of State Government; U.S. Term Limits, online at www.termlimits.org; and interviews with members of state, county, and local officials.

⁴ Defined by Karl Kurtz, of the National Conference of State Legislatures, as having a low pay, small staff, and high turnover. See *Understanding the diversity of American state legislatures, extension of remarks*. (June 1992).

administered. County Commissioners decide how to provide support services (child care and transportation) to welfare recipients.

North Carolina ranks 42nd based on a composite ranking of indicators of child well-being.⁵ Table 2, a selected listing of the child risk factors, illustrates this rating.

Table 2. Child Risk Factors

Rating	Year	State	U.S.
% of two-year olds who were immunized	1995	82%	75%
% of children in extreme poverty (below 50% FPL)	1994	8%	9%
% of 4 th grade students who scored below basic reading level	1994	41%	41%
% of 4 th grade students who scored below basic math level	1996	36%	38%
% of low birth-weight babies	1994	8.7%	7.3%
% of teen birth rate (births per 1,000 females ages 15-17)	1994	44%	38%

Local Culture⁶

North Carolina has one of the largest rural populations in the country. Approximately half of its residents live in rural areas, yet North Carolina is the leading industrial state of the Southern Atlantic states. Because the tendency of many workers is to live in rural areas and commute long distances to work, North Carolina's movement toward urbanization has been slow. Its economy relies on industry, agriculture, and tourism. The state is still the capitol of the tobacco industry, but manufactures furniture and textiles as well.

North Carolina has three distinct regions, each with its own culture. Of the three, the Piedmont/Raleigh area is the most industrialized, and hence, the most populated, region. The years of isolation and subsistence farming throughout most of the state have created a spirit of modesty and independence. Not surprisingly, then, the state is not a powerful influence over its inhabitants.

⁵ KIDS COUNT, a project of the Annie E. Casey Foundation, is a national and state-by-state effort to track the status of children in the United States. *KIDS COUNT data book: State profiles of child well-being*. (1997). Baltimore, MD: Annie E. Casey Foundation. This publication provides data on the educational, social, economic, and physical well-being of children.

⁶ Information for this section was compiled from Encyclopaedia Britannica Online, Encyclopedia Americana, and Elazar, D.J. (1984). *American federalism: A view from the states* (3rd ed.). New York, NY: Crowell, as well as from key informant interviews.

TIMELINE

- | | | |
|------|---|--|
| 1991 | — | • Executive Budget Act establishes performance budgeting |
| 1993 | — | • Legislation links agencies' budgeting and planning processes |
| | — | • <i>Smart Start</i> established in legislation, and begins with 12 demonstration projects |
| | — | • North Carolina Partnership for Children founded |
| 1995 | — | • Independent audit of <i>Smart Start</i> mandated by legislature |
| 1997 | — | • Performance budgets established for all ten program areas |
| | — | • Office of State Planning conducts agency staff poll on performance budgeting |

TERMS AND CONCEPTS

Currently no standard set of definitions of RBA terms exists. States use similar terms for different concepts, and different terms for similar concepts. Table 3 describes the terms and concepts used by North Carolina. Table 4 summarizes the acronyms used in this report.

Table 3. Key Concepts

Goal: Broad, comprehensive statement of the purpose of the state, organization, program, or subprogram

Outcome: Desired long-term condition of well-being for children, families, and communities (within the *Smart Start* initiative, this is called a "goal")

Objective: Desired short-term condition needed to achieve long-term condition of well-being for children, families, or communities

Outcome Measure/Indicator: Quantifiable measure of progress of outcomes and objectives

Performance Target: Target level of performance expressed in measurable terms and data, against which actual achievement is compared

Table 4. Key Acronyms

DHHS:	Department of Health and Human Services
DHR:	Department of Human Resources
GPAC:	Government Performance Audit Committee
OSBM:	Office of State Budget and Management
OSPL:	Office of State Planning
P/PB:	Performance/Program Budget
RBA:	Results-Based Accountability

PERFORMANCE/PROGRAM BUDGETING SYSTEM FOCUSES THE STATE ON RESULTS

North Carolina began implementing a performance-based budgeting approach in 1991. The purpose of the performance/program budget (P/PB) is to help the state to eliminate overlap and duplication; establish priorities; improve government efficiency and effectiveness; preserve and improve the quality of state services; restructure and reform state service delivery; and strengthen management practices.⁷ By requiring public agencies to link budgets to results, P/PB is intended to display to the legislature the linkage between resources and objectives and activities. Since 1993, agencies have been required to link their budgeting processes with agency strategic planning.

History of P/PB

North Carolina Has a History of Budget Reform Efforts

Since the mid- to late-1960s, North Carolina has worked to develop statistics that would assist in helping to determine the results of government programs. In the 1960s, the state budget office tried to coordinate data efforts across the state and created a statistical index which addressed different data needs across state offices. In the 1970s, the state began to look at performance budgeting measures more closely. It developed a classification system in the state accounting system that created programmatic codes for different accounting areas. These early attempts to institute a program budgeting approach were met with resistance by the legislature.

In the area of health and human services, the state developed a quarterly reporting system for the Department of Human Resources (DHR) in the early 1980s. In this system, the Secretary of DHR conducted reviews with line divisions and services divisions and looked at their performance in terms of budget expenditures and key program measures. Although some of the measures were outcomes, most were input measures and workload statistics.

The current movement to a performance budget in North Carolina has its origins with the recession of the early 1990s. At that time, the state was facing a budget, and although it did meet its budget obligations, the legislature created the Government Performance Audit Committee (GPAC) to examine the state's budget operations. Composed of private citizens, GPAC examined the efficiency and spending of the state and made recommendations for improved government operations. The GPAC Subcommittee on Planning, Budgeting, and Evaluation recommended that the state develop a strategic planning process; a statewide, cross-department plan; a performance budget; a way to ensure regular, comprehensive program evaluation; and a way to hold managers accountable for results.⁸

⁷ North Carolina Office of State Planning and Office of State Budget Management. *Primer to performance/program budgeting. 1995-1997. The North Carolina state budget.* Raleigh, NC: Author.

⁸ North Carolina Office of State Planning and Office of State Budget and Management. *Primer to performance/program budgeting. 1995-1997. The North Carolina state budget.* Raleigh, NC: Author.

Performance/Program Budgeting (P/PB) was established by the Executive Budget Act, which requires the governor to report annually to the General Assembly on what programs are and are not doing. Performance budgeting in North Carolina has been phased in since 1991; the FY1997-99 budget contains program performance information for all of the state's programs.

Performance/Program Budgeting Began with Two Pilots

The Speaker of the House and the President of the Senate supported GPAC's recommendations and concurred with its recommendation that the change in budgetary systems be piloted first. The Office of State Planning (OSPL) and the Office of State Budget and Management (OSBM) identified ten program areas for North Carolina's government programs. OSPL and OSBM were responsible for carrying out the first pilots. By 1991, P/PB documents for the health and environment program areas were submitted to the legislature. The General Assembly recommended that the performance budget process be expanded to other program areas. In 1993, performance/program budgets were prepared for six areas. In 1997, these budgets were prepared for all ten program areas.

Process of Identifying Goals and Indicators

Program Areas Link to Goals, Programs, Subprograms, and Elements

In North Carolina, budgeting is done on a program level. The state has identified ten overall program areas: corrections; cultural resources; economic development and commerce; education; environment; general government; health; justice and public safety; human services; and transportation. These areas were designed to be broad enough so that all state activities would fit into one of them.

OSPL and OSBM were responsible for identifying the ten areas and related goals, programs, and subprograms. The offices began this process by examining the state statutes for the legislative intent of the programs. Examination of the statutes led to the development of a hierarchical outline of categories, including goals, programs, and subprograms, which reflect the statutory intent for each program area. The division of the ten broad program areas into programs and subprograms enables agencies to provide increasing detail about expected outcomes, clients and customers, objectives, and expenditures. After identification of these levels, OSPL and OSBM examined all the state's activities and put each into one of the categories. Table 5 provides an example of this from the human services program area.

Table 5. Program Hierarchy for the Human Services Program Area ⁹

1. **Enable families and individuals to achieve maximum self-sufficiency and well-being (GOAL)** [This goal is directed toward protecting the welfare of citizens — strengthening, supporting, and preserving families and the individuals in them, and providing special assistance and protection for vulnerable individuals (i.e., children, elderly, disabled)]
1. **Strengthen and preserve families and protect children from harm (PROGAM)** [Strengthen and preserve families as units, while protecting children in those families from harm.] (2100).
 1. **Provide protective services for children** [The purpose of this is to prevent child abuse and neglect. In instances in which abuse or neglect has already occurred, efforts are directed toward preventing future incidents.]
 1. **Assure the placement of children in the most appropriate setting.** [This focuses on placement of children in homes or institutions, when out-of-home placement is in the best interests and welfare of the child. Foster homes provide temporary placement; adoptions provide permanent placement.]
 1. **Provide community-based services to runaways.** [This provides community-based services for youths to avoid delinquent behavior. Programs include return of runaways, and community-based alternatives. Intervention and rehabilitation for youths in detention centers and training schools are included under the Corrections Program Area (see 3000).]
 1. **Provide family support services to strengthen families.** [Services provided focus on family preservation, family development, and programs to support and strengthen families as units.]

Through a database system, North Carolina links funds to a goal, program, or subprogram. Departmental operational budgets are tied directly to program budgets through numerical codes, thus enabling those interested to see which objectives are linked to which funds and to see the strategies that are being used to achieve the objectives. Outcome measures and, where available, performance data, were published in the FY1995-97 P/PB document. In the future, agencies will be expected to report target values as well.

P/PB is Linked to Department Strategic Planning

At the time P/PB began in 1991, agencies were not required to link their departmental planning processes with P/PB. However, in 1993, the legislature re-wrote part of the Executive Budget Accounting Legislation, statutorily linking the agencies' budgeting and planning processes.

To assist state agencies in implementing these requirements, OSPL has identified two planning processes for agencies to follow: 1) program planning, which crosses organizational lines and collectively shows what the state is expecting to accomplish and how dollars have been allocated to accomplish goals and objectives within program areas; and 2) department operations planning, which enables departments to show specifically how each program objective is being addressed

⁹ Obtained from OSPL's Web site: <http://www.ospl.state.nc.us/planning/progarea/phuma.html>

by the department, what new innovations are planned to improve performance, and what the administrative objectives are.¹⁰ The four- to six-year departmental plans are intended to enable departments to review their work internally and meet the P/PB requirements. Departments are also required to engage in information technology, human resource, and capital resources planning.

OSPL and OSBM Provide Technical Assistance and Guidance to Agencies

Assistance to agencies in program and departmental planning is provided by OSPL and OSBM. OSPL has analysts, each responsible for a different program area, who work with departments to train staff and provide technical assistance. OSBM has budget analysts who also assist agencies in the planning processes. Within each department, there is also a planning liaison who works with department staff to develop operational plans and meet P/PB requirements. OSPL has developed an eight-step process which agencies follow to conduct their program and departmental planning:

- *Department Orientation*: OSPL staff train department personnel in the performance planning process, including its purpose, products, timeline, processes, and tasks;
- *Identification of mission, goals, trends, and implications*: Department staff review trends and implications as well as the mission statement and goals for the department;
- *Identification of customers and expected outcomes*: OSPL staff assist department staff in reviewing emerging trends and their impact on programs, in identifying customers and expected outcomes, and in identifying responsibilities of agencies in achieving outcomes;
- *Development/amendment of departmental objectives and outcome measures*: Department staff review, discuss, and develop departmental objectives (those for P/PB as well as administrative objectives), achieve agreement among departmental divisions on common objectives and outcome measures, develop documentation of P/PB objectives and outcome measures, and send documents to OSPL and OSBM for review;
- *Finalization of objectives and outcome measures*: OSPL staff and staff from various departments work together to finalize objectives and outcome measures and reconcile interagency objectives;
- *Development/amendment of strategies, activities, and innovations, and selection of program statistics*: Department staff develop and/or amend department strategies and activities directed toward accomplishing objectives, develop innovations, and review and select program statistics for the performance budget;
- *Review of strategies*: OSPL conducts a final review of department strategies; and
- *Preparation of department operations plan and performance program information*: Department staff prepare a department operations plan which includes a mission statement, goals, summary information on the department (including an organizational chart, list of divisions, major programs administered by divisions), trends and

¹⁰ The details of these processes can be found in *A guide to performance planning*. North Carolina Office of State Planning. Raleigh, NC: Author.

implications, objectives (including administrative objectives), organizational units responsible for each objective, current strategies and activities, and innovations that the department plans to put into place to be more effective and efficient at achieving each objective. Also in this step, OSPL and OSBM compile departmental program performance information and prepare drafts of the program performance narratives, which are reviewed by departments and revised by OSPL and OSBM.

OSPL also has responsibility for evaluation and has tried to support agencies in this effort and build up their capacity. Staff have also worked with the legislative committee chairpersons and the legislative fiscal research staff to assist them in understanding the performance budgeting approach.

Uses of P/PB

Use of Performance Budgeting Information Varies

While many note the importance of legislative commitment to the P/PB process, they also acknowledge that commitment among current legislators varies. Early champions in the legislature, specifically the Speaker of the House and the Senate President, supported the movement to a performance budget and encouraged OSPL and OSBM to proceed with the pilots. In the early years of implementation, North Carolina, like many states implementing a performance-budgeting approach, operated with a dual budget — the traditional line-item budget and the new performance budget. Presentation of the budget to the legislature has slowly evolved to a document that is structured around the ten program areas, yet the presentation of a program-delineated budget has been met with resistance from some.

Many attribute the varied legislative commitment to both political and institutional factors. Politically, the legislature that initiated P/PB was Democratic and has since been replaced by a conservative Republican legislature. Some note that the legislature was not adequately involved in the P/PB process from the beginning, and this has led to resistance. Others mention the desire on the part of legislators to remain with a line-item budget, which they understand better and over which they have more control. Another concern, some note, is the incomplete understanding of P/PB among legislators. Although some legislators and staff have been trained in P/PB, some in the state observe that many legislators are not sufficiently informed about performance budgeting to make use of it.

Complicating P/PB are two institutional factors. First, North Carolina operates with a biennial budget and an annual legislature. Second, legislative committees continue to be organized according to departmental rather than program structure such that each department reports to only one committee. This does not correspond with the ten program areas identified in P/PB.

In an attempt to accelerate the implementation and use of a performance budget by the legislature, the 1997 session of the General Assembly authorized the Appropriations Committee and sub-committees to meet during the interim between the regular 1997 and 1998 sessions. The

purpose of these meetings is for members to review matters related to the state budget and to help legislators to become better prepared to manage the complex budget negotiation process.

Employee Poll on P/PB Yields Mixed Results

In April 1997, OSPL conducted a poll of state employees who worked on the P/PB process to obtain their views on the process, the usefulness of the documents, and the influence of the process on departmental operations.¹¹ Fifty-nine percent of respondents indicated that they had received some technical assistance in the process. Respondents rated the support they had received from planning liaisons, budget staff, and program managers as higher than that which they had received from department administrators. There was a call for greater integration of the various planning processes, primarily the integration of program planning, department planning, and information technology planning. Seventy-five percent of respondents indicated that they were satisfied with the enhancements to the quantity and quality of information provided in the published planning and budgeting documents, but they cited concerns that the information was not being used. Additionally, survey results indicated a staff desire for more training, particularly in using information technology to accomplish objectives. This feedback is being used to improve the process and the products.

¹¹ State employees call for P/PB improvements. *State Planning Newsletter*. (Summer 1997). Vol. 4. No. 3. North Carolina Office of State Planning. Raleigh, NC: Author.

DEPARTMENT OF HEALTH AND HUMAN SERVICES REPORTS ON FOUR PROGRAM AREAS

The North Carolina Department of Health and Human Services (DHHS) is responsible for the oversight and programs related to health and human services.¹² Its responsibilities include provision and supervision of mental health and substance abuse treatment services; social services for the elderly, disabled, children, and low-income individuals and families, including Medicaid and cash assistance; juvenile justice prevention and treatment services; vocational rehabilitation services; planning and coordination of services for the elderly; health; and services for special needs populations, including the blind and the deaf. Social services and public health are provided by counties under DHHS's supervision.

History of DHHS' RBA Work

Identification of objectives and measures for DHHS programs began under the predecessor agency, DHR. DHR was in on the ground floor with P/PB's first pilot program, which involved the Medicaid, social services, and mental health divisions, although the majority of the department's divisions were not included in this early effort.

Process of Identifying Goals and Indicators

DHHS Used a Participatory Process to Identify Objectives and Measures

The development of objectives and measures for child and family programs was a process that involved staff from throughout the department. The identification of outcomes and measures for P/PB began with retreats and work groups, which discussed the P/PB requirements and used the OSPL guide on the process and the terminology.

DHR formed cross-division teams and work groups so that individuals who had planning and statistical responsibilities were working with colleagues from other divisions who had similar tasks. The department tried to involve as many people as possible who had planning and evaluation skills. DHR also had six work groups to work on common goals (e.g., at-risk children, the disabled). Teams within the department worked with OSPL to develop the measures. Some note that staff facility with the techniques and terminology depended on their past experience with it — those who had experience and felt comfortable talking about outcome measures found the process easier than others.

Each division of the department reviews the measures each year and revises them. Staff update the data if available and indicate whether or not the data are available. Where possible, staff report data on results. For some programs, data on results will take some time to collect. Table 6 provides an example from DHR's departmental operations plan.

¹² The Department of Health and Human Services was created in September 1997, as part of the reorganization of the Department of Human Resources.

Table 6. Department Operations Plan for the Department of Human Resources¹³

Program Area: Human Services

P/PB Goal #1: Enable families and individuals to achieve maximum self-sufficiency and well-being.

Program: Strengthen and preserve families and protect children from harm.

Assure the placement of children in the most appropriate setting.

P/PB Objective #35 (2100.10)

Increase by 3 percentage points the percentage of children who leave DSS legal custody/placement responsibility within 12 months of entry by June 30, 2000.

Associated outcome measure:

Percent of children who leave DSS legal custody/placement responsibility within twelve months of entry.

Funds contributing to objective:

4440-2100-1140: Family Services Administration

4440-2100-1180: Aid to Counties

4440-2100-1250: Adoption Assistance

4440-2100-1260: Foster Care Assistance

4440-2100-1480: County Services Program

Organizational unit(s) contributing to objective:

Children's Services Section

Description of strategies or activities directed toward this objective:

- Develop and license foster care resources (DSS funds 1140, 1180, 1480)
- Supervise children in foster care (DSS funds 1140, 1180 and 1480)
- Provide extra counseling and support for families and foster parents of children who are ill, disabled, or delinquent (DSS funds 1140, 1180, 1480)
- Petition the courts to legally terminate parental rights when needed (DSS funds 1140, 1180, 1480)
- Make recommendations for children unable to return home (DSS funds 1140, 1180, and 1480)
- Increase the availability of appropriate foster care families (DSS funds 1140, 1180, and 1480)

Lesson Learned: Setting Measures Is Challenging

Staff noted that the department faced many of the difficulties typically associated with these processes. One challenge was the fact that the concepts of performance planning were new to many people. This included overcoming fears about being held accountable for measures that were beyond one's control or were subject to other conditions, such as fluctuations in the economy. While training was provided to staff, some noted that it took a certain level of analytic ability and experience to know how to describe programs in a more outcome-oriented way. Staff noted that those who had experience measuring and reporting on outcomes, such as those from the mental health and social services divisions, found it easier to respond to the requirements of

¹³ 1997-2003 Departmental Operations Plans, Department of Human Resources. As of Fall 1997, a revised departmental operations plan for the new DHHS was not available.

the legislation. Additionally, there was the recognition that measures are heavily influenced by the context in which programs operate (changes in regulations, funding, and political imperatives are among these) and given this, ascertaining the impact of any particular intervention(s) was particularly difficult.

Staff also noted the difficulty in identifying measures that were outcome-oriented rather than output or process. Staff note that one of the biggest challenges had been in moving from a program oriented set of measures to those that were client and family centered. This required a movement from indicators of process, such as timely certification and error rates, to one that looked at outcomes, such as people in jobs. They point out that the identification of measures is an iterative process. In some cases, output measures are used as a proxy for outcome measures until better measures can be identified or developed. The department will continually revise its measures to ensure that they adequately measure the objectives it expects to achieve. The problem of measures is not unique to DHHS — OSPL conducted a survey of all measures of all agencies and realized that 15 percent of the measures were outcome measures and the rest were outputs.

Uses of Performance Information

Discussion of Results Takes Place at Two Levels

DHHS staff examine results in two ways: 1) during a management review: During this process, senior managers meet with the Secretary of DHHS to review selected outcome and performance measures, discuss key programmatic issues and initiatives, and identify any budget issues and 2) at the time of budget development: During this process, managers examine the programmatic and budget needs identified as part of the management review as well as other material and develop the agency's budget request.

SMART START WORKS WITHIN A FRAMEWORK OF OUTCOMES

Established in legislation in 1993, *Smart Start* is a \$90 million comprehensive early childhood education and health initiative. The primary goal of the public-private initiative is to ensure that, through improvements in access to quality, affordable child care, health care, and other family support services, every child in North Carolina enters kindergarten healthy and ready to succeed.

History of Smart Start

Smart Start Began with Twelve Demonstration Projects

The *Smart Start* program was established in legislation in 1993 and was strongly supported by the governor.¹⁴ It was authorized to focus on three components:

- The provision of statewide early childhood services for all children birth to age five and their families;
- The creation of the North Carolina Partnership for Children, charged with the development of a comprehensive, long-range strategic plan for early childhood development; and
- The creation of local partnerships to establish and implement programs to serve the young children and families in their communities.

Smart Start began in 1993 with 12 demonstration projects and currently includes over 80 local partnerships in all 100 counties. At the local level, *Smart Start* initiatives may include expanding the availability and quality of subsidized child care; providing quality enhancement grants and technical assistance to child care centers; providing educational opportunities for child care providers; improving children's access to health screenings and immunizations; increasing the number of public preschools and Head Start-related programs; establishing child care resource and referral agencies; providing inclusion programs for special needs children; and establishing family resource centers and opportunities for parent education.

¹⁴ Known as the Early Childhood Initiatives Program (G.S. 143B-168.10).

The North Carolina Partnership for Children Oversees Smart Start

The North Carolina Partnership for Children is responsible for oversight of *Smart Start*.¹⁵ The partnership is a committee of 39 members who represent state agencies, private business, education, non-profit organizations, child care providers, parents, and the legislature. The Partnership is a private, non-profit organization founded in 1993, and is intended to be the vehicle for integrated state-level services. It is responsible for creating and implementing a comprehensive, outcome-focused plan to enrich the lives of children. The North Carolina Department of Health and Human Services (DHHS) serves in an advisory capacity to the Partnership and is the program's fiscal agent.

The Partnership has identified five goals for *Smart Start*:

- All North Carolina children 0-5 are healthy and prepared to succeed when they enter school;
- North Carolina families effectively fulfill their roles as the primary providers, nurturers, and teachers, helping their children reach their full potential;
- All North Carolina families with children 0-5 have access to high quality, affordable services they need and want, including early childhood education, services for children with special needs, and other services that support families;
- North Carolina counties value all of their children and families by providing options and resources, and by encouraging collaboration to help children and families reach their full potential; and
- North Carolina's state government, The North Carolina Partnership for Children, and county partnerships will work together as partners to encourage all constituencies to engage in collaborative efforts to improve the lives of North Carolina's children 0-5 and their families.¹⁶

Process of Identifying Goals and Indicators

The Partnership Establishes the Framework and Structure of Outcomes for Smart Start

In addition to the five goals, the Partnership has identified subgoals which more specifically identify the results to be achieved. For example, two subgoals of the first goal are: 1) infants and children are immunized on time; and 2) children grow up in safe, nurturing environments that are

¹⁵ The 1993 legislation establishing *Smart Start* assigned the responsibility for managing the program to the Division of Child Development in the former Department of Human Resources. It also established the Joint Legislative Oversight Committee on Early Childhood and Educational Development Initiatives to examine the *Smart Start* program and make ongoing recommendations on the program, including its expansion. The 1995 session of the General Assembly mandated a performance audit of the program and required some other changes. These included designating the Joint Legislative Commission on Governmental Operations as the oversight body for the program; reducing the administrative role of DHR; and expanding the role of the Partnership to include duties previously performed by DHR.

¹⁶ North Carolina Partnership for Children: *Vision, Mission, Goals*.

free of abuse, neglect, and violence. These goals and subgoals form the framework into which local partnerships "fit" and against which local coalitions report. The Partnership also reports quarterly to the Joint Legislative Commission on Governmental Operations.

Local Partnerships Prepare Annual Service Plans

Local partnerships are the foundation of *Smart Start*. Each individual partnership has created its own 501c(3) corporation which is responsible for designing and implementing programs to meet its specific community needs. These groups have mandated memberships which parallel, at the local level, the state membership structure. These local partnerships must have at least 19 members and must include school superintendents, county commissioners, health agencies, local service agencies, schools, businesses, religious leaders, and parents.

The 501c(3) requires that each local partnership develop an annual plan connected to a needs and resources assessment. These plans must outline goals, objectives, strategies against the framework of statewide goals set by the Partnership, and selected outcome indicators.

Local Experiences Developing Collaborative Plans and Evaluation Mechanisms Vary

The extent to which counties are able to respond to the Partnership's request for information as well as produce information useful for themselves depends, in large measure, on the human and financial resources available to them and the length of time that they have been a *Smart Start* county. While some local coalitions have well-developed data collection and evaluation systems and management information structures, many do not have the capacity to collect and code the data, and they differ in their understanding of and commitment to evaluation.

Collaboration is a key component of the planning process at the local level. The process evaluation conducted by the Frank Porter Graham Center for Child Development Center (See *Legislatively-Mandated Evaluation Examines Smart Start's Process and Impact*) provides some insights into how local collaboratives have addressed these accountability demands. The broad nature of programming for *Smart Start* concerned some local coalitions, and the development of foci has been an evolutionary process.¹⁷ In March 1994, the Department of Human Resources, predecessor to DHHS, identified a set of components that must be a part of each partnership's plan: providing services for low-income families who do not need or want child care for their children; raising the amount of child care subsidies; and demonstrating collaborative efforts within the county.

Through a contract with the state, the Human Services Institute provided technical assistance to counties in long-range strategic planning and collaboration processes in the first two years of the initiative. With this support, partnerships developed plans which outline goals, objectives, and strategies against the framework of statewide goals set by the Partnership, and selected outcome indicators. Most recently, the North Carolina Partnership for Children has been responsible for

¹⁷ *Emerging themes and lessons learned: The first year of Smart Start*. Report to the Department of Human Resources by the *Smart Start* Evaluation Team. August 1994.

assisting local partnerships with planning; local partnerships have also contracted with outside consultants to help them to do this work.

Uses of *Smart Start* Information

Legislatively-Mandated Evaluation Examines Smart Start's Process and Impact

Outcomes are an important component of *Smart Start*. The 1993 legislation authorizing the *Smart Start* program also required that a performance-based evaluation system be instituted to examine the program. Specifically, the legislation required that evaluation activities include: 1) a formative and summative evaluation; 2) an emphasis on the quality of programs as a central component of the evaluation; 3) the use of reliable statistical methods and objective measures of outcomes; and 4) a detailed fiscal analysis on the use of state funds.¹⁸ The legislature annually appropriates funds for this work.

A local research institution, the Frank Porter Graham Center for Child Development (at the University of North Carolina at Chapel Hill) was hired to conduct the evaluation. The evaluation team developed a comprehensive plan to evaluate the state and local goals and objectives of *Smart Start*. During the first year (1993-94), the evaluation team developed an evaluation plan for collecting a core set of data from all pioneer partnerships; provided local partnerships technical assistance regarding evaluation issues; and reported on the process of planning *Smart Start* activities. The evaluation team produced a comprehensive set of indicators for the potential use by all counties in their local evaluations. In the first year of *Smart Start*, evaluation team members also began collecting data from existing datasets in the child care, health, and family services areas. The evaluators identified expected outcomes for the first four goals articulated by the Partnership (those related to the children and families of North Carolina) as well as the tools to measure them and the data sources. Evaluators will collect these data over time to examine the impact of the *Smart Start* initiative on children and families.

In the second year, the evaluation team began collecting baseline data on important *Smart Start* outcomes, such as the quality of child care, and continued describing the process of implementing *Smart Start*. Database variables and definitions were created and refined, and evaluation coordinators visited approximately 184 child care centers and interviewed families participating in *Smart Start*. In 1994, findings from the child care center interviews showed that only 14 percent of the preschool classes in the sample were providing high quality care.¹⁹ By 1996, this increased to 25 percent.

The evaluation team reports to DHHS on the objectives and indicators. Data are also provided to the counties on a county-level basis to assist them in their decision making.

¹⁸ SB 27, Section 257.1993 Legislative Session.(1996).

¹⁹ North Carolina Partnership for Children. (1996 September). *Smart Start report to the North Carolina General Assembly. Annual Report July 1, 1995 - June 30, 1996*. Raleigh, NC: Author.

Performance Audit Results in Changes to Smart Start

In response to concerns about the *Smart Start* initiative, the legislature funded an independent audit of *Smart Start* in 1995. The purpose of this audit was to examine the program's purpose and mission, operating structure, reporting and accountability system, internal controls, service delivery, strategic planning, and overall program effectiveness.²⁰

The audit concluded that *Smart Start* "...is a credible program that delivers substantial good to the children and families in the State of North Carolina."²¹ It also recommended increased funding for the program as well as other changes to *Smart Start*, many of which the General Assembly incorporated into legislation in 1996.²² The legislature strengthened the management role and capacity of the Partnership and required that the Partnership develop and implement a comprehensive standard fiscal accountability plan as well as a centralized accounting and contract management system. It also required that the Partnership develop a plan for regionalizing the local partnerships and streamline the process for approving and funding local plans. In addition, the new legislation required the Partnership to report quarterly to the Joint Legislative Commission on Governmental Operations and to the General Assembly and the governor on the ongoing progress of the local partnerships, including details of how the allocations were used. Funding for *Smart Start* increased to \$60 million (from \$20 million in 1993), and funding for the impact evaluation conducted by the Frank Porter Graham Child Development Center was also increased.

The performance audit also recommended that the partnership adjust its allocation to local partnerships based on their performance. In this scenario, the Partnership would consider whether the local partnerships are meeting the outcome goals and objectives of the Partnership and the goals and objectives they set forth in their annual program plans. It would also allow the Partnership to use additional factors to determine whether to adjust local allocations. Under the legislated performance funding, local partnerships would be rated "superior," "satisfactory," or "needs improvement." Local partnerships that were rated as "superior" would receive, if funds were available, a 10 percent increase in their annual funding allocation. Local partnerships rated as "satisfactory" would receive their annual funding allocation; those rated as "needs improvement" would receive 90 percent of their annual funding allocation. This recommendation is currently under consideration.

DHHS has commissioned a follow-up study through Coopers-Lybrand. This study is designed specifically to examine some of the organizational issues related to the administration of *Smart Start*.

²⁰ Coopers & Lybrand. *State of North Carolina Smart Start program performance audit*. April 1996.

²¹ Coopers & Lybrand. *State of North Carolina Smart Start program performance audit*. April 1996.

²² For detailed information, see House Bill 53. Second Extra Session, 1996.

CONCLUSION:
A FOUNDATION FOR ACCOUNTABILITY AND A VIEW TO THE FUTURE

North Carolina, like many states, faces challenges in the implementation of performance-based budgeting; however, many believe that P/PB will play an important role in the state's government reform efforts. They note that P/PB has the potential to increase significantly the debate about what the state is doing and how it is doing it. This becomes increasingly important as resources become more scarce. Several informants in North Carolina expressed the hope that this budgeting structure would provide the legislature a clearer understanding of what it is allocating resources to and would enable legislators to identify what they would like to change. Additionally, many in the state hope that this budgeting process will become the basis of how programs will be evaluated to determine their effectiveness. *Smart Start*, nationally recognized as an innovative as well as effective initiative, will also continue to work to improve its administration and address demands for accountability. The foundation of strong evaluation research provides a strong basis to "be accountable."

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OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of this case study is to describe the design, development, and implementation of North Carolina's RBA efforts, particularly those related to programs serving children and families. This report is directed toward people who are interested in learning about the efforts of this state and/or who may have a role in developing an RBA system in their own state, locality, or institution. The case study discusses the key RBA efforts in the state, the impetus for and history of these efforts, the governance structures, the design and implementation of these efforts (including the identification of goals, indicators, and targets), the current or proposed use of the systems, and some of the lessons learned.

Scope

HFRP has produced RBA case studies of eight states: Florida, Georgia, Iowa, Minnesota, North Carolina, Ohio, Oregon, and Vermont. The research for these case studies was conducted between January 1996 and November 1997.

Methodology

HFRP staff utilized qualitative data collection methodologies to gather the information included in these case studies. Staff began the selection of the eight states chosen for our case studies by contacting key informants from national organizations who have been working in the area of RBA. These key informants nominated a number of states that were currently planning, designing, and/or implementing RBA systems for child and family programs. HFRP staff then contacted staff in these states and reviewed documents to learn more about the nature of their efforts. Additionally, HFRP contacted staff in a number of other states to learn if they were engaged in the development of RBA systems for child and family programs and, if so, what the nature of efforts was. Based on this research, HFRP staff identified the efforts of eighteen states, which are highlighted in our publication, *Resource Guide of Results-Based Accountability Efforts: Profiles of Selected States (1997)*.

From the eighteen states profiled, HFRP selected eight states to study in-depth. The eight case study states were chosen because they represent different foci as well as various stages of development. These states are implementing a variety of accountability approaches, including statewide and agency-level strategic planning, performance-based budgeting, and performance-based contracting. Each state has conceptualized and developed its system in response to its needs, as well as the technical, organizational, and political constraints within which it operates.

To obtain information on each of the eight states' RBA efforts, HFRP staff reviewed a variety of documentation and conducted extensive telephone interviews with key informants at the state and local levels. Staff then conducted week-long site visits to each state. During each site visit, staff interviewed a number of personnel from governors' offices, state and local agencies,

legislatures, advocacy groups, and universities. During these interviews, interviewees were asked about the key aspects of the conceptualization, development, and implementation of RBA systems. They were also asked about challenges they faced in developing these efforts and the lessons that they had learned. Where possible, HFRP staff also attended planning meetings around RBA work. For each case study, HFRP interviewed at least 30 individuals with a variety of affiliations to obtain a comprehensive and varied view of the state's efforts.

Given the variety of RBA efforts in states, the multiple entities and actors involved, and the many components of these efforts, HFRP staff developed a multi-level analytic framework to examine the data. This framework enabled HFRP to code interview data by four categories: the system (for example, strategic planning, performance budgeting, performance contracting); the governance level (for example, statewide, inter-agency, agency, local entity); the aspect of the system (for example, history, design and implementation, uses, barriers and opportunities, sustainability); and the actor (for example, governor's staff; legislators/staff; agency staff; advocacy groups). In some cases, these dimensions were further refined. This multiple coding enabled HFRP staff to compile comprehensive descriptions of efforts in each state based on a variety of perspectives. This framework also enabled staff to examine a variety of cross-case themes (for example, the use of budgeting systems by legislatures across states and the processes agencies in different states have used to choose goals and indicators). A qualitative software package, NUD*IST[®], facilitated analysis of the data.

We recognize that RBA systems are evolving and will continue to evolve in response to both implementation challenges and state and national policy changes. Therefore, we stress that the information contained in these case studies describes these states' RBA initiatives as of November 1997.

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